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ABSTRACT

Types of aid to higher education are listed that allow corporations to support the colleges and universities of their choice through contributions to educational institutions, individuals, and to education-related organizations. Aid to educational institutions can include (1) specified unrestricted operating grants (general purpose grants, employee gift-matching plans, and indirect of group support); (2) restricted operating grants (research grants, departmental grants, cost-of-education supplements, faculty-compensation grants, international education grants, library assistance grants, physical plant-maintenance grants, special-purpose grants); and (3) capital grants (grants to capital campaigns, gifts of property, nonexpendable capital grants, and endowed chairs). Aid to individuals includes contributions to scholarships, fellowships, educational goal programs, programs aiding individuals in international education, and teacher recognition grants. Education-related organizations are those on the periphery of the academic community such as the American Council on Education, the Council for the Advancement and Support of Education, and the National Association of State Universities and Land-Grant Colleges. Professional societies, research institutes, trade associations, and special-interest groups that offer special surveys, studies, research on higher education, sponsorship of conferences, symposia, and business-education relationships are also sources of corporate aid to academe. (CC)

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HOW CORPORATIONS CAN AID COLLEGES AND UNIVERSITIES

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The Council for Financial Aid to Education (CFAE), a nonprofit service organization, promotes increased voluntary support of higher education by all sources, but especially by the corporate community.

CFAE was founded in 1952 by five prominent business leaders, the chairmen of United States Steel, General Motors, Exxon, Container Corporation and Armstrong Cork. The chairmen were Irving S. Olds, Alfred P. Sloan, Jr., Frank W. Abrams, Walter P. Paepcke and Henning W. Prentis.

CFAE staff members call personally upon hundreds of top-echelon businessmen every year to explain the financial needs of higher education and to enlist corporate support in meeting them. CFAE also conducts seminars and offers counseling services for corporate and college administrators. It publishes an annual report on voluntary support received by colleges and universities, an annual report on corporate support of higher education, special studies in fields related to educational philanthropy, "How to . . ." manuals and other materials designed to broaden the base of educational support.

CFAE sponsors the nationwide public service advertising campaign, "Give to the college of your choice," through the Advertising Council. This campaign has elicited as much as $25 million worth of free time and space from the media in a single year.

CFAE itself neither solicits nor disburses funds for higher education. Originally funded by four major foundations—the Carnegie Corporation of New York, the Ford Foundation, the Rockefeller Foundation and the Alfred P. Sloan Foundation—CFAE now draws its support from more than 375 leading American corporations. In this, its twenty-fifth anniversary year, CFAE is calling for a national reaffirmation of the importance of higher education to the future of our country and a rededication to meeting more of the needs of our colleges and universities through voluntary support.

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COUNCIL FOR FINANCIAL AID TO EDUCATION
680 Fifth Avenue, New York, N.Y. 10019

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One of a series of publications designed to increase corporate support of higher education produced by the Council for Financial Aid to Education (CFAE).

A complete list of CFAE publications may be obtained from CFAE, 680 Fifth Avenue, New York, N.Y. 10019.

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*All these publications are available from CFAE for $2.00, prepaid, except where otherwise indicated.

INTRODUCTION

The purpose of this publication is to detail in orderly fashion how business corporations can aid the colleges and universities of their choice. It was designed by the Council for Financial Aid to Education primarily for corporate officers concerned with their companies' voluntary educational support activities. The Council also provides more individualized assistance regarding aid-to-education programs to specific companies, without cost or obligation.

The rationale as to why corporations should invest increasingly in higher education in their own best interests and those of the Nation is examined fully in other Council publications, particularly "Guidelines for Corporate Support of Higher Education." Hence, the clear-cut reasons need only be touched upon here. The *educated manpower* so necessary to all business comes primarily from colleges and universities, and as technology advances this source of supply becomes increasingly important. So too does *new knowledge* resulting from campus research, often pure research which no one company might wish to undertake alone. Higher education also warrants support because it contributes positively to an *improved social, economic, and political climate* for business to operate in. Finally, the legitimate *corporate citizenship and social responsibility* commitments made by business are not only widely applauded but have clearly become looked-for hallmarks of enlightened management.

Public policy, as expressed in legislation, court decisions, and elsewhere, is firmly in favor of corporate educational support. Such support may be viewed as an alternative to increased public expenditures for higher education, with the added advantage that it enables donor corporations to maintain an important degree of control over the distribution of the educational support provided by their dollars. Moreover, corporate support helps keep the higher educational system, which is so crucial to business, from becoming controlled by any single, all powerful, centralized agency. Directly invested corporate support efficiently contributes toward freedom, healthy diversity, institutional integrity, and a vital "margin of excellence" throughout higher education.

The "why" of corporate educational support having been very briefly considered, the initial steps recommended by the Council in establishing or reevaluating an overall aid-to-education program must also be touched upon. First and most basic, a company needs to develop a fundamental *philosophy* regarding its stake in higher education. The nature of the essential working interdependence between the firm and higher education ought to be probed, in order to identify the prime areas of legitimate self-interest. The next step, in the Council's view, is to hammer out a written aid-to-education *policy*. This setting of guidelines, hopefully at a high corporate level, should be definite yet flexible, and clearly written down so that all concerned can refer to it. Next comes *planning* a corporate aid-to-education program, which starts to implement the first two steps. This involves establishing an organizational structure, fixing responsibility, and delegating authority for administration. The last step concerns the actual *program*, complete with specific types of educational support selected from among those which may be utilized. Setting forth a wide variety of such support options is the particular object of the pages which lie ahead.

As a general rule, a corporation's program of aid to higher education will include several different types of support. In special circumstances, as when a company is small or in the early stages of aiding education, it may be appropriate to limit the program to a single type of aid. These circumstances, however, are exceptional and often temporary. The interests of a company will nearly always dictate that two or more types of aid are necessary to the attainment of a balanced program consistent with cor-

The following major section of this booklet describes not only the most common types of financial support of higher education used by corporations, but a few that are uncommon as well. The list is not exhaustive and the descriptive material should not be regarded as definitive. In both breadth and depth, this treatment is intended by the Council primarily to be suggestive of the variety of ways in which companies can invest in higher education in their own legitimate best interests.

The keys to a successful program, as already indicated, are to be found in the interrelationships between the donor corporation and the institutions of higher education. The watchword here is cooperation. Business has such an important stake in higher education that its relationships need to be cultivated as a kind of insurance. These relationships, however, are not and should not be limited to financial support.

There are many recognized avenues through which a company may participate positively in the affairs of a campus. Businessmen serve as trustees, advisors, consultants, and in other voluntary ways. The value of the time and talent involved can be considerable. Such service, however, provides significant benefits that are shared by both parties. There are many nonmonetary things corporations themselves can do too, such as conduct special seminars on campuses and even lend executives to academic institutions for helpful projects.

The Council sincerely hopes that this booklet proves directly useful, that it encourages and enriches corporate educational support, and that it contributes to a growing professionalism in giving. Certainly quality-seeking colleges and universities need effective corporate support more than ever before. As soaring costs continue to outstrip income, they need increased support not only from companies already active in their behalf, but support from those many companies still doing too little for too few academic institutions, or even nothing at all. Put most succinctly, it is hoped that the booklet will help a good cause grow greater. All this said, let us proceed directly to the very practical matters at hand.

TYPES OF AID TO HIGHER EDUCATION

Educational support can be classified in various ways, none of which is completely satisfactory for all purposes. For convenience of presentation, the types most commonly in use may be grouped together according to the character of the donee:

Aid to Educational Institutions
Aid to Individuals
Aid to Education-Related Organizations

Many corporations structure their programs of educational support in terms of functional purposes and projects. While these types of assistance merit special attention, they can be treated under the given headings without difficulty.

AID TO EDUCATIONAL INSTITUTIONS

This heading includes all types of financial support for colleges, universities, and technical institutes, whether given directly to the academic institutions concerned or indirectly through one or more organizations established for the purpose. This is the most fundamental type of support for higher education, and it constitutes the foundation upon which nearly all special programs of educational support are based. It also accounts for the vast bulk of corporate support of education.

A word is in order about the criteria for selecting institutions to be supported. There are approximately 3,100 colleges and universities and branch campuses in the United States, all of which need money. It is obvious that no single company can support more than a small number of them in any effective and meaningful way. In some manner, therefore, the corporation must choose, among the many potential donee institutions, those colleges and universities whose support is most relevant to corporate interests. A few broad guidelines can be given here, but in the final analysis only the donor company itself can determine the final selection.

Perhaps the most important criterion is the one which reflects the colleges and universities as suppliers of educated manpower. Every company should know, simply as a matter of corporate intelligence, the identity of the institutions attended by its college-trained employees. To the extent that the company's future manpower requirements can be detailed, some effort should be made to determine which institutions are the most likely sources of supply, given the kinds of educational preparation that will be needed.

A second criterion, somewhat parallel to the first, has to do with the colleges and universities as centers of basic research, as suppliers of new knowledge, and as sources of expertise in any of the fields of interest to the corporation. Virtually every company looks to one or more of the institutions of higher education for help in dealing with problems of a managerial, scientific, or technological nature. The colleges and universities providing such help, and those likely to provide such help in the future, are clearly candidates for consideration.

A third factor is essentially geographic. Every community has an obligation in some degree to support its local institutions, if for no other reason than the fact that each college and university has an economic impact on the area in which it is located. In ad-

dition, local colleges are important components of the intellectual and cultural life of a community, and are often objects of local pride. Company employees and their relatives also may look primarily to the local institutions for their educational needs. These are but a few of the considerations which may carry some weight in the selection process.

Finally, there is a question of quality. This is a difficult question because there are no really good objective standards by which one may rank educational institutions. As a practical matter, individual institutions can be compared only to others of a similar character, and even then it may be impossible to make a meaningful comparison because colleges often excel in a limited number of disciplines as a matter of intent. From the point of view of the donor corporation, therefore, this ultimately comes down to a question of judgment. Given that several institutions are equally eligible for support on the basis of other criteria, the choices must be made from a judgment of the facts relating to educational goals, performance, and reputation in the light of the purposes and objectives of a corporate aid-to-education program.

Simultaneously with these choices, the corporate donor will want to consider the types of aid which should be utilized. Generally speaking, institutional aid falls into two broad categories: support for current operations and support for capital purposes. Of the two, current operating support is quantitatively the more important. According to Council surveys, it accounts for roughly 75 per cent of all corporate financial aid to colleges and universities. Again, there is a twofold division within operating grants: unrestricted support and support designated for any of a number of specific purposes.

Unrestricted Operating Grants

This is the most typical method of corporate institutional support. Council studies show that about one-third of all funds received by institutions of higher education directly from business corporations are of an unrestricted nature. Such grants are important also in a qualitative way, for they provide a unique basis for attaining the sense of close working identification between the corporation and the campus that is so vital to the relationship between them.

General-Purpose Grants

The word "unrestricted" simply indicates that there is no *a priori* designation or limitation on the use to which the donated funds can be put. An alternate way of describing such grants is to say that they are for the general purposes of the institution. It is understood that the money will be combined with income from other sources and that the total amount available will be spent in accordance with the institution's budget.

The operating budget of a college or university serves several functions. Among other things, it is a time-honored device by which the institution makes its needs known to potential donors. It will include a statement of the planned expenditures for the various operations and activities of the institution in accord with its purposes, together with a statement of anticipated revenues, by source. Such a budget will almost invariably show a deficit, because the amount of income from some sources is

inherently unpredictable and the total income in view from known sources is almost never equal to the total cost of the planned program.* Potential donors are thus enabled to determine quickly whether they have any interest in providing general institutional support on an unrestricted basis.

If the purposes and programs of the institution are consonant with the policies and objectives of the company's aid-to-education effort, then an unrestricted grant will serve to enhance the interests of both the corporation and the college. The size of the grant, of course, must be determined in relation to the company's total budget for educational support and in relation to other types of aid contemplated for inclusion in the company's program.

There is another way in which an unrestricted grant can play an important role, and this refers to opportunities for general support outside the institution's formal operating budget. Even when the budgetary gap has been filled by gifts and grants from other sources, there will continue to be unfulfilled needs. In purely educational terms, there is always a deficit regardless of what the figures show. There is always a need for the institution to do more than its visible resources permit. In fact, the operating budget reflects a compromise between what the educators believe they should be doing to meet the demands made upon them and what the administrators believe they can do with the funds likely to be available. Additional funds, therefore, permit additional programs and activities to be carried out.

Opportunities for general support other than those publicly reflected in a college or university operating budget may be indicated by the institution itself in the course of soliciting support from a corporation. They may become apparent to a contributions officer from reading the college catalogue or making a campus visit. They may emerge from a dialogue between the corporation and the academic institution deliberately arranged for this purpose or fortuitously arising out of other matters. They may be mentioned in the press, or by a public speaker. The point is that they exist and should be explored, especially in instances where there is a close relationship between the company and a particular institution.

In the Council's view, then, the unrestricted grant may do one of two things: It may support the donee college or university in its primary mission by assisting it to operate within the framework of a planned program. Or it may help the institution to do just a little more than it had planned to do in light of its expected income. In either case, it is important to understand that every corporate grant of this type, no matter how modest, is useful in helping the college to fulfill its role and to make ends meet.

In addition to general-purpose grants, there are other forms of corporate donations falling under the general heading of unrestricted operating grants. Some of these types of operating support are more a matter of technique than function, and the employee gift-matching plan falls under this heading.

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*On a nationwide basis, charges for tuition, room and board, and student fees meet only about one-third the financial needs of the institutions of higher learning. (The average is about one-half for private institutions, one-quarter for public institutions.) The balance must come from other sources: government, endowment income, and gifts.

Employee Gift-Matching Plans

Employee gift-matching plans are used by many donor corporations and appear to be of considerable interest. Under the matching plan, the company simply agrees to match the contributions of its employees to institutions of higher education. The usual basis for matching is dollar for dollar, but some companies will match at a higher ratio. The idea of matching permits great flexibility with respect to maximum and minimum amounts, eligibility of employees, eligibility of institutions, frequency of payment, and similar matters. The principal aim is to encourage the institutions to maintain proper alumni relationships and to build up a broad base of annual support, as well as to foster voluntary support of higher education by company employees.

The Council, especially through its continuing consultations with business corporations around the nation, has found that gift-matching is looked upon with favor by many corporations because it frees them from the problem of choosing among competing academic institutions. Matching is also seen as an effective employee relations device.

On the negative side for the corporation, contributions through matching are often spread rather thinly, with modest amounts making only minimal impact at a large number of institutions. Also, corporate supervision over placement of its funds is lacking, and some companies may find themselves thus donating to academic institutions they do not particularly approve of and would not support on their own initiative. All in all, the employee gift-matching plan is seen as helpful and effective, but it should not normally be the sole or even the most central factor in a corporate aid-to-education program.

Indirect or Group Support

Mention should be made of the opportunities for indirect or group support of colleges and universities. The institutions of higher education are grouped in a variety of ways and the special needs and problems of some of these groups have resulted in fund-raising efforts on a collective basis. If a company has a good reason for using the group as a vehicle for supporting a number of institutions, and largely avoiding the problem of selecting individual academic institutions, then this type of support can be both convenient and effective.

One group that receives widespread corporate funding is the United Negro College Fund (UNCF), which serves as a fund-raising agent for 41 private, predominantly black colleges and universities. All UNCF schools are fully accredited, and all but one are located in the South.

Many corporations also support one or more of the 39 state and regional fund-raising associations, which include in their membership more than 550 private colleges and universities. The Independent College Funds of America, Inc. (ICFA) serves as their national clearinghouse and coordinating office.

In these and other similar collective efforts, the support received from the business community and other contributors is distributed among member institutions on some kind of a formula basis and is almost invariably treated by them as unrestricted sup-

port. Cooperative efforts in fund raising for restrictive purposes are generally directed toward increasing opportunities for minorities and/or women in specific fields of study, particularly engineering and business, and to administrative and other projects in which several colleges will share.

Restricted Operating Grants

As important as the unrestricted grant is, there are other kinds of grants for current operations that are of interest to donor and donee alike. These are the grants for which the corporation designates a specific use. They may be broadly restricted to a particular purpose or narrowly designated for some special project or activity. In any case, the academic institution records the receipt and expenditure of the funds in a separate account and does not use them for any purpose other than the one for which they are earmarked.

Research Grants

One of the common restricted support types is the research grant. In the Council's view this is a form of institutional support that has intrinsic merit for many companies because of the visibility and applicability of the potential benefits. Funds are given to a college or university for the specific purpose of supporting basic research in a particular field. The grant may be designated for the general support of an on-going research program of broad character, or it may be restricted to the support of a particular research project of a well-defined nature. Research, of course, is a vital function at all universities and an important one at many colleges.

The Council has found that research grants are especially popular with companies whose products and production processes are of a "high technology" character. In many of these instances there is an inherent interest in academic research because of the close dependence of the donor corporation upon the current state of the art in one or more fields. Some companies also engage in research on their own and have separate departments or other facilities organized for this purpose. In this case there is frequently a close identity with the academic community at the level of science and technology. Company-sponsored research, however, is normally of a highly pragmatic character. The main emphasis is on ultimate profitability. Applied research inevitably depends upon basic research for its inspiration and this dependence gives a company considerable incentive to support the basic research conducted on the campus, especially in fields of interest related to the technologies of the corporation.

For most companies, however, interest in the expansion of human knowledge is not limited to special interest areas, such as those related to product or process technology. Basic research is conducted in all fields of knowledge, and among them are many of such general interest to business that financial support, even of limited extent, is relevant and meaningful. Advances in basic knowledge in the behavioral sciences, for example, may well have important implications for any corporation, no matter what its product classifications. The welfare of the modern corporation is inextricably bound up with the totality of human knowledge, and its interests are served well in the long run by an extension of that knowledge. The real test for research support is the quality of the research effort, not alone the field in which it is done.

Many business corporations employ the research capability of colleges and universities on a contract basis to perform research of a markedly specific nature. In such instances there is frequently a rather fine line between payments made for the "contract research" and payments made for general research support. The former actually constitutes payment for services rendered, while the latter is essentially a gift. Although there may be other distinctions, one important difference has to do with the ownership of the results of the research. In the typical case, the results of contract research are proprietary, i.e., they belong to the sponsoring company and may not be made public without its consent. The results of general research, by contrast, are nonproprietary, and the researcher is free to disseminate his findings in any reasonable manner and as widely as he pleases.

Departmental Grants

Another type of restricted support is the departmental grant. This includes all grants made for the exclusive use of any subunit of a college or university. It would include, for example, grants to a college of medicine, a school of business, or a department of psychology. In these instances, funds are provided to the institution for the exclusive use of the designated subunit. The department head, or dean, as the case may be, is then free to use the funds within his sphere of responsibility on an unrestricted basis. He may use them for equipment and supplies, for faculty salaries, for student aid, for research support, or for any other useful purpose. Again, there may be some understanding between the donor and the administrative official involved as to how the funds will be used, but typically he has full authority to use them in any way he feels may be productive.

It is the Council's view that the departmental grant is of particular value to academic institutions because it permits individual academic units wider degrees of latitude than is possible under an operating budget. One of the major administrative problems of colleges and universities concerns the division of available resources among the many units of which the institution is composed. Many different allocation schemes are in use, but the majority of them involve some sort of a formula approach designed to treat the various schools and departments on an equitable basis. Additional funds to strengthen a weak department or to provide for the expansion of a growing department are usually hard to come by under any such formula. Hence, a special corporate grant designated for the use of a deserving subunit may often provide the solution to a critical need.

From the point of view of the donor corporation, a departmental grant can be a highly rewarding device. By its very nature, this type of support requires more than a casual knowledge of the institution. It will entail a field investigation and close consultation among the interested parties, and it will provide some direct satisfaction in that the funds go to fill a visible need. It will also enhance the community of interest between the corporation and the college or university. Since the proceeds are used to strengthen the capability of a specific discipline, it allows the company to support a particular field of interest without having to determine the merits of the alternative functional ways in which a grant might be used.

It is a wise corporation, however, that considers departmental grants that go beyond the technical and managerial disciplines of immediate interest to the company, especially if this is thought of as an alternative to unrestricted support. While support of engineering, business, and the physical sciences may bear a direct relationship to the company's short-term interests, support of history, philosophy, and other subjects in the liberal arts will have an indirect relationship to the company's long term interests.

Cost-of-Education Supplements

The tuition, room and board, and other fees that the student pays to a college never cover the total cost of his education. As previously indicated, Council studies show that for all American institutions of higher education combined, such payments amount to only about one-third of the total expenditures of colleges and universities. Making it possible for a student to go to college, therefore, may not make it possible for the college to accept the student.

It is thus desirable to call attention to the fact that it is essential for institutional grants in the nature of cost-of-education supplements to accompany scholarships, fellowships, or other forms of student aid. Supplemental grants are normally unrestricted in purpose, although they may be restricted in any way the donor corporation wishes. For example, supplemental grants are often limited to use by departments in which particular students are enrolled.

Such grants also may be used effectively to supplement employee tuition-reimbursement plans. While the latter are clearly not aid to education as such, cost-of-education supplements to the appropriate institutions in effect help these colleges and universities meet the full cost of the education provided to company employees. This also illustrates another area for cooperation between the corporation and the campus.

Faculty-Compensation Grants

Grants for increased faculty compensation are likewise a form of aid in which one or more individuals are the beneficiaries, not the academic institution to which the funds are given. However, if merely restricted for this purpose without any designation of the departments or the specific individuals involved, such grants become a form of institutional support of considerable utility. The payroll costs of a typical college or university amount to 60 per cent or more of the total operating budget. Consequently, when an institution is hard pressed to make its budget balance, it may be necessary to forego some part of a desirable increase in faculty salaries or benefits. In such cases, the college may be forced into a noncompetitive position in the markets for faculty personnel of desired quality. The objective of a corporate grant for this purpose, therefore, is to provide specific assistance to the institution in this vital area. For this type of aid to education, timing may be of critical importance. It is therefore imperative for the company to consult closely with the institution and to cooperate fully with the administrators on this matter.

International Education Grants

International education is an area of growing corporate interest now and for the

future as commerce increasingly becomes worldwide. Grants restricted to this field may be directed toward the operating costs of American academic institutions, such as graduate schools of business, which specialize in training internationally oriented students in subjects like foreign trade, economics, finance, business management, languages, and politics. Corporate arrangements of various sorts also may be made for grants to academic institutions located overseas, although such grants cannot, of course, be classified as aid to American higher education. Moreover, corporate grants frequently are made to finance student or faculty exchanges in which foreign nationals study at American institutions and Americans study overseas. Overall, corporations increasingly are taking current steps to help meet long-range needs in the international area.

The kinds or combinations of international education grants that are best for a particular donor are relative to such things as the nature and products of the company, its markets overseas and the percentage of its business done there, and the countries or parts of the world involved. Both corporate tax counsel and experts on varied governmental regulations should be consulted before actual grants are formalized.

Library Assistance Grants

Restricted grants may be made for a wide variety of other special purposes, depending upon the interest of the donor corporation. Library assistance grants are often overlooked, yet they are needed by all academic institutions, large and small, old and new, public and private. On many campuses the libraries are inadequately funded for the jobs they have to do. The importance of library resources is underscored by the attention given to them in the accreditation process, and for good reason. The library is the one facility on a campus that is absolutely indispensable to scholarship. It is literally a storehouse of knowledge, and it must have facilities which enable faculty and students to have access to available information. A library assistance grant, whether used for acquiring additional books and facilities or used for maintenance, serves to strengthen the institution in a positive and meaningful way.

Physical Plant-Maintenance Grants

Grants for physical plant maintenance may be a useful component of a corporate aid-to-education program, particularly if there are opportunities for making gifts-in-kind. The entire physical plant of a college must be maintained if it is to endure. Yet maintenance expenditures are postponable, and since they have low visibility in terms of the educational effort, they are often deferred, as a result of a tight operating budget, beyond the time when they should be made. Council studies show that for small companies in particular, this may be an opportunity to provide institutional assistance in an effective way.

The types of educational aid thus far covered have been limited to institutional support for current operations. The ones mentioned do not by any means exhaust all the possibilities. Many modifications and variations are being used by corporate donors, simply as a result of experience and the inherent differences in objectives and interests. Many business corporations have worked out special kinds of institutional

grants on a tailor-made basis, limited, if at all, only by their imagination and resourcefulness.

Special-Purpose Grants

Although it is impossible to generalize about such grants, there are three areas in which they have become important in recent years. These should be mentioned briefly. Several of the bigger companies have developed large-scale projects designed to accomplish broad educational purposes, such as improving college management techniques, updating curriculum content, and streamlining the academic structure. In each case, the company solicits proposals from interested academic institutions that contemplate some project conforming to the objectives of the company's program. The company evaluates the proposal, and it may suggest changes of one kind or another. It ultimately decides whether or not to fund that particular project, and, if so, determines the amount of the grant and other relevant terms to be embodied in an agreement with the college. This type of effort may also involve the "seed money" for some innovative educational program on the part of one or more institutions, or the matching funds required by the terms of grants available from other donors or from an agency of government.

A second kind of special-purpose grant involves broad program areas of topical interest, often directed to increase the number of minorities and other special groups in various professional fields. This heading includes programs in support of education for women, minorities, the handicapped, the elderly, and other identifiable segments of the general population which in some sense are in need of special support to achieve equality of educational opportunity. Such programs cut across the conventional categories of educational support, at least in terms of objective, even though they may take the form of conventional grants.

Educational support programs for minorities, for example, may include unrestricted support of predominantly or traditionally minority colleges and universities, scholarships and/or fellowships designated for minority students, support of curricular programs tailored to the needs of minorities, and grants aimed at encouraging minority students to study particular disciplines such as engineering, medicine, and business. Educational support for women and other groups in the population has an equal number of variations in terms of both content and form.

In this connection, it is worth noting that several organizations have been established in recent years to act as conduits for voluntary support aimed at these special groups. For the smaller company without the in-house staff capability to evaluate direct grants in these areas, these intermediary organizations provide an efficient method of funding such special-purpose grants.

The third area which has recently grown to noticeable size is that which involves a cooperative project aimed at some kind of community service or social action program. These arrangements relate to the activities of the institutions of higher education outside of instruction and research. They range from the operation of community hospitals to the provision of counseling services for business enterprises of minority

groups, from the operation of day-care centers for the disadvantaged to actions aimed at reducing environmental pollution. In many cases the academic institution is uniquely qualified to undertake the program, but is limited by its resources to a smaller-scale effort than is justified. The use of corporate grants to support such programs is becoming popular for the obvious reason that they allow the company to accomplish a social goal in a relatively efficient way, while at the same time giving support to higher education.

Capital Grants

Beyond the areas of support for current operations lies a broad realm of kinds of support for capital purposes. The most distinctive of these in the Council's view is the outright capital grant. As the name implies, such grants are designated or restricted for use solely in the type of capital account for which specified. By definition, the funds made available to the donee institution provide support for one of the nonoperating elements in the college's financial picture. This kind of support may be expendable, as in the case of "bricks-and-mortar" grants, or nonexpendable, as in the case of endowment.

Grants to Capital Campaigns

The most common form of capital grant is support given to a capital campaign or major fund drive undertaken by a college or university to raise a specific amount of money in a specified number of years. At any time, there are usually some 100 campaigns under way for $10 million or more—some seeking up to $400 million—and numerous campaigns of lesser amounts. These campaigns usually seek funds for several purposes and may include new construction, renovation and modernization of existing buildings, endowment, scholarships, professorships, faculty salaries, library expansion, operating budgets, academic programs, new research and teaching programs, and other development needs.

In the typical case, the college or university will have a long-range development plan within which the replacement, modernization, and expansion of the physical plan will be detailed and a timetable for implementation established. From time to time a capital campaign will be undertaken for the specific purpose of raising money needed to implement one or more phases of the plan, and the alumni and friends of the institution will be solicited for this purpose independently of the annual requests for support of the operating budget. Since plant improvement and expansion may take place over two or more years, support given to such capital drives frequently takes the form of a pledge which is payable over several years, perhaps over the entire construction period.

Capital grants to fund drives are usually made only in response to solicitation by the college or university, and they are of interest to the donor company primarily whenever the campus is geographically close to the company's headquarters or some other company facility, or there is some special relationship between the institution and the donor corporation. By their very nature, such grants are of a nonrecurring nature beyond the period for which they are pledged. It may be desirable, therefore,

for the corporation to appropriate funds for this purpose outside the ordinary aid-to-education budget. For large corporations, on the other hand, it may be sufficient to earmark a portion of the annual educational support budget for capital grants, especially if close relationships are maintained with a large number of colleges and universities.

Gifts of Property

Mention should be made here of gifts of property. There are two main types. One type involves capital assets, such as a company-owned parcel of real estate, a building, or some other facility which has ceased to be of value to the enterprise. Real and tangible property of this kind is frequently donated to an academic institution as a capital gift when some expectation exists that it would be of value in the educational process. All such gifts of property add to the assets of an educational institution and even though not solicited, constitute a form of capital giving.

The second type of property gift involves goods manufactured by the donor, whether from the current stock-in-trade of the company or from its inventory of obsolete products. These include books, tools, machinery, and equipment that can be used for instruction, research, or other educational purposes. Such gifts can have a unique value in special circumstances or unusual situations and should be given consideration in appropriate cases.

The tax treatment of gifts of property is subject to special rules. Gifts of capital assets have typically been accorded capital-gains treatment so that the deduction can be based on fair-market value. The provisions affecting the deduction for gifts-in-kind by manufacturers have been structured quite differently, and there have been major changes affecting these provisions in the past decade.

There are still tax incentives for gifts of property, but the special tax regulations involved make it mandatory that the company's tax counsel be involved in decisions relating to this type of gift.

Nonexpendable Capital Grants

Some capital grants are designed to be nonexpendable. The most common of these are gifts for endowment and for student loan funds. Endowment gifts are probably less popular with corporations than with individuals, but there are instances in which such grants do serve the interest of the corporate donor. This may be true, for example, in the case of a new or very young college that has little or no endowment to provide it with a steady source of base income for operating purposes. As the name implies, an endowment is a capital sum. Ordinarily, only the income from the endowment gift is available for institutional expenditures, while the capital sum itself is maintained intact in perpetuity. Endowment funds are normally invested in income-producing assets. From time to time these assets may be sold and the proceeds reinvested in other assets at the judgment of the fund's trustees. Where such sales result in capital gains, those gains may or may not be expendable for current operating purposes, or for other purposes. This is an area in which some controversy has risen, and it is clear only that the matter is legally unresolved as a generality. The company that donates funds for

endowment, however, may indicate its wishes in this area and include one or more restrictive provisions or guidelines in the instrument by which the gift is made.

Corporations may make endowment gifts in the form of company stock. This is a common practice for young and rapidly growing firms that wish to conserve cash for expansion. Whether in cash or in stock, an endowment gift needs to be relatively large in amount to be effective. Since it is essentially a one-shot transaction, it should be on the margin of a company's aid-to-education program.

Capital grants for student loan funds constitute a very specialized type of educational support. Although given to educational institutions, they are intended to provide financial assistance to students. By setting up a revolving fund from which students may borrow to finance part of their educational costs, the donor provides direct help to the students and indirect help to the academic institution. Educational loans have become an important ingredient in the broad array of both public and private programs of student aid. They are appropriate for many students whose earning power in later life will be enhanced by a college education. In the absence of outside assistance for this purpose, colleges and universities would have to divert money from other purposes and programs in order to finance loan funds of this type.

Although educational institutions are not founded for the primary purpose of lending money, student loans are clearly a special matter. The college is uniquely qualified to evaluate the needs and circumstances of individual students and to allocate the limited funds available to the most deserving applicants. This fact lies behind the designation of educational institutions as "qualified lenders" under the federal programs of loan funding, loan guarantees, and interest cost subsidies. The eligibility of colleges under these programs goes far to reduce the risks of loss from the administration of loan funds generally.

From the point of view of the corporate donor, support of student loan funds helps to establish and maintain a valuable direct relationship with the college or university that is lacking in the case of aid given directly to the student or through other third parties. As an adjunct to other types of student aid and institutional support, these grants have a clear relevance in the aid-to-education programs of some companies.

Other Capital Grants

There are other kinds of capital grants too numerous to mention in this booklet. They range from designated grants for specific capital improvements, specific buildings, and specific facilities to endowment gifts for purposes of particular interest to the donor. In most of these instances, the grants require a high degree of consultative effort between the company and the academic institution in order to be effective. Typically, these grants arise from needs and interests of the company that are in some sense unique—a memorial to a company executive who was an alumnus of the institution, recognition of a particular benefit received by the company from the college, or perhaps the realization of an unusual conjunction of interests and purposes between the company and the institution. While it is difficult to generalize about capital grants of this character, they are frequently useful in establishing and maintaining a "bridge" between a particular business corporation and a specific college.

Endowed Chairs

A word about endowed chairs is justified, not necessarily because of their importance but because of the frequency with which companies make inquiry of the Council on the subject. To endow a chair is simply to make a very restrictive endowment gift. The income from the endowment is earmarked for the salary, and sometimes other costs, of an appointed professorship, which is usually named in honor of some person or company. The appointment is always limited to full professors and is usually regarded as an award in recognition of distinguished achievement by the appointee. A company contemplating such a gift should recognize first of all that the amount involved will of necessity be very large. Currently the capital sum needs to be close to a million dollars to provide the kind of income that would make the chair attractive to a scholar of top rank. A chair also has an element of rigidity; with the passage of time and changes in circumstances it may become less relevant, or even obsolete. The Council has observed that the traditional endowment-in-perpetuity has tended to give way to annual support for limited periods, with the possibility of renewal being left open. In this form, the chair becomes not a capital grant to the institution but a type of current support for faculty assistance.

AID TO INDIVIDUALS

Under this second major heading are included all the types of educational support that are aimed at helping students and faculty rather than colleges or universities, whether given directly to the individual or channeled through educational institutions or other third parties. In broad terms, such assistance is an important component of business support of higher education, and it occupies a significant place in the aid-to-education programs of many companies.

Scholarships

Scholarships clearly belong at the head of the list in this area. They are the best known of all types of individual assistance and have been especially popular with top corporate management. Originally, the scholarship was conceived as a means of giving recognition and aid to the high school graduate who had demonstrated exceptional ability to pursue a higher education and who might otherwise not go on to college for lack of money. While this conception is still valid, the Council's experience indicates that a great many variations on the theme have been developed.

It is a fact, however, that many able young people need financial help in order to go to college at all, or to make the most of their college opportunities. By providing scholarship help, the business corporation can create good will for itself and enjoy the satisfaction of seeing tangible results in the form of known individuals attending specific colleges and universities.

Depending upon the donor company's interests and objectives, its scholarship support may be limited to students in a specified discipline, such as engineering, medicine, or accounting. It is far more common, however, to make scholarship assistance available without such restrictions, simply because the basic goal is to foster higher education generally. On the other hand, company interests may be served by restricting the scholarships to a particular group of persons.

There are three groups that may be aided by a company's scholarship program: its employees, its communities, and the general public. A company can reflect its own character and interests in its choice of the group or groups to which it makes its scholarships available.

Many companies limit the benefits of scholarship programs to their own employees by making them available to employees' children, either restrictively or on a first-preference basis. This serves the dual purpose of providing an important employee benefit of a fringe nature and of furthering education by assisting the student and his family in meeting the costs of going to college. The effect of such a program on employee loyalty and morale can be considerable.

Donor corporations also use their scholarship programs to benefit people in one or more of the communities or geographic areas with which they are identified. Again, by restricting its scholarships to the residents of designated communities, a company not only provides support for higher education by assisting qualified and needy students, but it also promotes its own image as a responsible corporate citizen in the selected local areas.

Scholarship aid made available to the general public of the entire nation is primarily, but not exclusively, the province of the large, national corporation. Many such companies offer scholarships for which any qualified student in the country is eligible. The aim here is to provide aid for higher education on a national scale and at the same time create good will for the company on the widest possible basis.

Having decided which group or groups are to be benefited, the donor corporation should then determine something about the mechanics of its scholarship plan. The two most important elements here concern the process by which the recipients are to be selected and the channel through which the funds are to be administered. Fortunately, these two elements can be arranged jointly.

It is clearly desirable, of course, that the selection process be done on an objective basis and in a professional manner. In many instances the company's own personnel lack the necessary qualifications and time for this task. Some companies enlist the help of outside consultants, but even this technique of selection can raise awkward issues. Consequently, the vast majority of company-sponsored scholarships are administered by some third party or by the colleges and universities themselves. Such a process also helps remove from the donor corporation the onus of selecting some applicants but turning down others.

By using one or more colleges to administer its program, the donor corporation can achieve several objectives. Scholarship support relieves those institutions of the necessity of using their operating funds for this purpose. It also puts the selection process in the hands of an organization that is preeminently qualified to select the most deserving recipients, and it helps assure that the funds will be used for the purpose intended. All the terms and provisions of the company's scholarships can be maintained intact under this arrangement: i.e., any and all restrictions as to eligibility and use can be preserved, and the identification of the company as scholarship sponsor can easily

be accommodated. It is, however, necessary for the company to select the colleges and universities through which their scholarships are to be administered, and this constitutes a limitation of sorts that for some donors is not desirable.

The problem of college selection can be avoided by using one of the national scholarship services as the third party. The best known of these is probably the National Merit Scholarship Corporation, one of the main purposes of which is to act as a channel of corporation support for scholarships. Merit scholars are chosen through nationwide qualifying examinations, and the winners are free to attend the colleges of their choice. Although the NMSC awards scholarships with funds from many sources, the identification of each company-sponsored scholarship is preserved. Similar services are available through the Educational Testing Service. For companies interested specifically in helping black students, NMSC also has a National Achievement Scholarship Program for Outstanding Negro Students. In addition, the National Scholarship Service and Fund for Negro Students, supported in part by corporations, maintains a program of counseling and supplementary scholarships for black college students. Other organizations, some quite new, are working to increase scholarship opportunities for American Indians, Hispanics, and other minority students.

A final word concerning the overall cost of a scholarship program: In the Council's view, a good scholarship should be adequate for the student's needs; it should be available to the recipient for the full four or equivalent years; and it should preferably include a cost-of-education supplement to the institution. Such a scholarship can be expensive, and this may severely limit the number of scholarships that a company can sponsor as part of its aid-to-education program. As with any other type of educational support, scholarships must be appraised in the context of the company's objectives as laid down in its policy. Whether scholarships are the best investment of the business dollar is a question that only a donor corporation can answer for itself.

Fellowships

Another important type of individual support is the fellowship, which plays much the same role at the graduate level as the scholarship plays at the undergraduate level. Here, however, it is fair to say that the company's objectives are not limited to student aid. Some of the motivation that applies to sponsored research applies also to the sponsored fellowship. The emphasis lies not so much in furthering the cause of higher education as it does in producing competent researchers and new knowledge in specific fields of study. For this reason, the criteria for selecting recipients will frequently include some consideration of the exact research topic that the potential fellow proposes to undertake and, most particularly, his or her field of study.

In most instances, the fellows are selected by the faculty and administration of graduate institutions, subject to the donor corporation's approval. The corporation selects the universities where the fellowships are placed and the field of study where they will be awarded. A committee composed of company executives is normally designated to participate in the selection process, particularly where the fellowships are restricted to company employees. The administration of the program may be

assigned to a corporation executive or to the academic institutions in which the fellows are enrolled. As with scholarships, it is appropriate for the company to make supplementary grants to the institutions based on the fact that total educational costs invariably exceed the tuition and fees paid by the fellowship holders.

Educational Loan Programs

In addition to scholarships and fellowships, aid to students may take the form of an educational loan program. There are basically two different ideas included here. One involves a self-operated, revolving fund from which loans are made to company employees for the purpose of assisting them to send their children to college. The amounts appropriated by the company for such funds are not really financial support for higher education in the usual sense of the term because they must be repaid, but they do provide assistance, usually on very favorable terms, for a limited group of students.

The other type of program involves capital grants to the student loan funds operated by colleges and universities and outside agencies, a type of contribution that has been covered previously. In this connection, it should be noted that banks make student loans on a commercial basis and that there are other organizations, such as the United Student Aid Funds Inc., which act as guarantors of private loans made to students by the banking community. Contributions to these latter organizations add very substantially to their capacities for making loan guarantees, since their reserves are typically maintained at a small percentage of the loans endorsed.

Whatever the merits of student loans as a type of assistance to the individual student, the Council would be remiss if it did not point out that the loan programs of the federal government, which were initiated in the mid-sixties, have grown rapidly and now dominate this area. Specifically, some of these governmental programs provide guarantees for loans made to students by qualified private lenders, including colleges and universities, banks, insurance companies, and certain other financial institutions. Borrowers, however, are limited to those whose annual incomes are less than some stipulated amount. Other government programs provide grants of money to colleges and universities to enlarge their capacity to make student loans. Still others provide subsidies which pay the difference between the market rate of interest and the amount charged to the borrower.

All these government programs, however, still do not make it possible for every student to attend the college of his choice. The numerous restrictions on these programs and the escalating costs of higher education, particularly at the private schools, leave plenty of room for a corporate loan program to provide valued freedom of choice to students who might otherwise be severely restricted in their selection of an institution of higher learning.

Programs Aiding Individuals in International Education

As touched upon previously, international education grants can be made to students or faculty, whether they are foreign nationals studying here or at home or Americans studying overseas. Such grants may involve exchange programs, scholarships, fellow-

ships, or other support vehicles. The individuals involved can be employees or potential employees of the donor company. Program goals may be varied, ranging from fairly immediate corporate benefit to general good will to helping improve the quality of life and technology within the overseas country or part of the world involved, perhaps places where substantial plant locations or investments exist.

Teacher Recognition Grants

Individual assistance may also be given to college faculty members in the form of teacher recognition grants, a type of educational aid that has become relatively rare but which may be important in special circumstances. Occasions do arise when a company wishes to honor a particular college professor for specific achievements or other meritorious service in his particular field. It may be desired by the donor corporation to make a tangible award in the form of prize money, a recognition grant, or some other kind of added compensation, as well as to publicize the occasion.

However laudable such action may be, the Council stresses that this is an area to be approached with some caution in view of the inherent sensitivities involved. As a general rule, business should not interfere with the delicate process by which faculty compensation is determined without the complete cooperation of the academic institution involved. This aspect of the matter has led many companies to utilize the consultantship arrangement as an alternative. Although such arrangements are primarily used on a *quid pro quo* basis, there is nothing to bar their use as a means of rewarding an individual for his achievements.

AID TO EDUCATION-RELATED ORGANIZATIONS

There are many organizations on the periphery of the academic community. Their relevance to education can be both a matter of substance and a matter of degree. At one extreme, there are many organizations that are able to fulfill special functions that are difficult for individual colleges and universities. These would include the American Council on Education and its commissions, the Council for the Advancement and Support of Education (CASE), the National Association of State Universities and Land-Grant Colleges, several other similar organizations located at One Dupont Circle or elsewhere in Washington, D.C., several headquartered in New York, and a few in other locations.

At the other extreme are a number of organizations which include the word "education" in their titles but which are essentially outside the generally recognized educational community. In between are numerous professional societies, research institutes, trade associations, and special-interest groups about which it is impossible to generalize in this booklet. Clearly, the hallmark by which a grant to any of these organizations may be recognized as aid to higher education is the purpose for which the grant is ultimately used.

Such purposes run a wide gamut from special surveys, studies, and other research activities aimed at the gathering, analysis, interpretation, and publication of information about higher education, to the sponsorship of conferences, symposia, and other meetings designed to accomplish some specific objective of importance to the

academic community. Such support may also involve that complex area of business-education interrelationships where education tries to find out how to change and adapt its own efforts to new circumstances, and where business takes a hard look at the ways in which it is utilizing the end products of education.

Specialty giving of this type will ordinarily account for a relatively small share of a company's aid-to-education program, but it can be a highly productive thing. It should not be overlooked or dismissed lightly.

CONCLUDING NOTE

The foregoing review illustrates the previously noted diversity of how corporations can aid colleges and universities. Although this booklet includes many specific types of educational support, there are other kinds of aid that have evolved from the conjunction of needs and fertile imaginations. More important is the fact that new types of aid are likely to evolve in the future, simply because dedicated men are limited only by their own resourcefulness in deriving solutions to the problems of the day.

It follows, in the Council's view, that no business corporation can really afford to have a static program of educational support. Enlightened companies see to it, in fact, that their aid-to-education programs grow in content and in sophistication. All components of the educational support effort should continuously be scrutinized to determine whether they represent the best mix of types of support for accomplishing the objectives of the donor corporation's program. Those objectives, along with corporate needs and educational financing, may well change with the passage of time and the alteration of circumstances.

As was indicated at the beginning, there is no single type of support and no one combination of types of support that is always right, or wrong, for an individual company. Rather, aid to higher education is inevitably a matter of judgment and of dynamics. At its best it should be responsive to the growth and development of both higher education and business enterprise itself.

APPENDIX

A FEW WORDS ON EDUCATIONAL ACCOUNTING

It may be useful to review briefly the accounting practices used by most colleges and universities. Such information in the Council's view should be of value to corporate donors in that they will come to understand more fully just how recipient institutions treat gifts and grants from themselves and others in the context of financial reporting and stewardship.

Since service, rather than profit, is the primary objective of academic institutions, their principles of accounting differ from those of commercial enterprises. In commercial accounting, the emphasis is on determining net profit and net worth. In institutional accounting, the emphasis in on the sources and uses of funds, the determination of costs for decision-making, and the resources, or fund balances, available at any particular time.

The financial resources of academic institutions come from a variety of sources and may or may not be restricted to use for specified purposes. Accordingly, a typical institution will maintain several funds, or accounting entities, in which to keep independent records of resources designated for particular uses. The usual fund groups are current funds, plant funds, endowment and similar funds, loan funds, annuity and life income funds, and agency funds.

Depending on the restrictions or limitations placed on a corporate contribution, the gift or grant received by the institution may be recorded in any one of the first four types of funds. Corporate support does not ordinarily involve either of the last two.

The "current funds" group accounts for all resources that are available for current operations, including those for restricted as well as for unrestricted purposes. Current operations include all the ordinary programs and activities of a college or university that are undertaken in the course of an academic year, including instruction, research, conventional forms of student aid, and everything connected with the utilization and upkeep of the physical plant. The "plant funds" group includes the accounts for all resources, including borrowings, to be used for the construction, rehabilitation, and acquistion of physical properties, as well as money already expended for plant properties, funds set aside for renewal and replacement, and funds accumulated for the retirement of indebtedness. The "endowment and similar funds" group includes those funds whose principal is nonexpendable and is invested (or is available for investment) for the purpose of producing income. The "loan funds" group consists of funds which can be lent to students, faculty, and staff.

Included under each of these groups of funds is a variety of accounts used for recording and reporting receipts, expenditures, and fund balances. The financial support received from corporations and other donors can find its way into any of these accounts either at the stipulation of the contributor or at the institution's discretion.

Beyond these general requirements and practices, there are many variations in the way particular institutions treat a given type of accounting situation. Some colleges, for example, will not take money into income until it is expended, in which case

income and expenditures will always be equal by definition and the financial condition of the institution must be judged in the light of changes in fund balances. Other institutions will record all unrestricted gifts as income in the year in which received regardless of when the money is spent, in which case there may be a meaningless surplus or deficit that arises merely from timing. Again, depending on the conditions, if any, attached to specific gifts and grants and other sources of income, the institution may transfer money from one account to another in accordance with needs and opportunities.

The financial reports of academic institutions will detail these various accounting entities and show the net result of all transactions for each of the fund groups separately. To the corporate executive schooled in the rigors of commercial accounting, these practices are frequently a source of confusion when he tries to appraise the financial condition and needs of a particular college or university. To avoid such confusion, it is only necessary to recognize that the institution is forced to compartmentalize its resources according to the uses for which they were intended. That there may be a surplus in one account concurrently with a deficit in another is simply a reflection of this accounting requirement.

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